

LENOX MUNICIPAL UTILITIES

FINANCIAL STATEMENTS

DECEMBER 31, 2008

LENOX MUNICIPAL UTILITIES  
LENOX, IOWA  
DECEMBER 31, 2008

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LENOX MUNICIPAL UTILITIES  
OFFICIALS  
DECEMBER 31, 2008

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Dennis Bunch	Trustee - Chairman	May 1, 2014
Winston Tyler	Trustee	May 1, 2010
Wayne Haidsiak	Trustee	May 1, 2012
David D. Ferris	Superintendent	-

**DEAN M. BROICH, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

2835 S. 132<sup>nd</sup> Street  
Omaha, Nebraska 68144  
(402) 829-0121

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Lenox Municipal Utilities  
Lenox, Iowa

To the Board of Trustees:

I have audited the accompanying financial statements of the Lenox Municipal Utilities, Lenox, Iowa, a component unit of the City of Lenox, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Lenox Municipal Utilities' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in footnote 1, the financial statements present only the Lenox Municipal Utilities and do not purport to, and do not, present fairly the financial position of the City of Lenox, Lenox, Iowa, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lenox Municipal Utilities as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis is not required to be part of the basic financial statements, but is necessary to supplement the basic financial statements according to accounting principles generally accepted in the United States of America. Lenox Municipal Utilities has not presented management's discussion and analysis in these financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 23, 2009 on my consideration of Lenox Municipal Utility's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 25 through 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant

Omaha, Nebraska  
January 23, 2009

LENOX MUNICIPAL UTILITIES

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

ASSETS

	2008			Combined Memorandum Only
	Electric	Water	Cable	
Current assets:				
Cash	\$ 88,634	\$ 16,520	\$ 34,903	\$ 140,057
Receivables	111,757	48,283	19,009	179,049
Prepaid expenses	8,193	3,161	1,425	12,779
Inventories	102,944	-	-	102,944
Total current assets	311,528	67,964	55,337	434,829
Noncurrent assets:				
Investments	1,082,417	134,274	384,676	1,601,367
Bond sinking fund - restricted	60,000	73,000	-	133,000
Bond reserve fund - restricted	60,000	73,000	-	133,000
Deferred compensation - restricted	50,480	24,084	7,254	81,818
Total noncurrent assets	1,252,897	304,358	391,930	1,949,185
Capital assets - net of depreciation	2,003,359	1,448,874	1,080,906	4,533,139
Total assets	\$ 3,567,784	\$ 1,821,196	\$ 1,528,173	\$ 6,917,153

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable - trade	\$ 412,630	\$ 26,903	\$ 11,380	\$ 450,913
Current portion of long-term debt	50,000	37,000	-	87,000
Accrued interest	1,749	2,566	30,416	34,731
Accrued expenses	422	2,223	1,699	4,344
Customer deposits	16,546	-	-	16,546
Total current liabilities	481,347	68,692	43,495	593,534
Long-term liabilities:				
Deferred compensation	50,480	24,084	7,254	81,818
Note and bonds payable	230,000	970,000	1,335,000	2,535,000
Total long-term liabilities	280,480	994,084	1,342,254	2,616,818
Net assets:				
Investment in capital assets - net of related debt	1,723,359	441,874	(254,094)	1,911,139
Net assets - restricted	120,000	146,000	-	266,000
Net assets - unrestricted	962,598	170,546	396,518	1,529,662
Total net assets	2,805,957	758,420	142,424	3,706,801
Total liabilities and net assets	\$ 3,567,784	\$ 1,821,196	\$ 1,528,173	\$ 6,917,153

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

ASSETS

	2007			Combined Memorandum Only
	Electric	Water	Cable	
Current assets:				
Cash	\$ 71,229	\$ 42,847	\$ 35,639	\$ 149,715
Receivables	96,732	43,634	15,066	155,432
Prepaid expenses	12,034	2,871	2,567	17,472
Inventories	93,524	-	-	93,524
Total current assets	<u>273,519</u>	<u>89,352</u>	<u>53,272</u>	<u>416,143</u>
Noncurrent assets:				
Investments	1,489,714	472,346	161,391	2,123,451
Bond sinking fund - restricted	52,365	73,000	-	125,365
Bond reserve fund - restricted	51,500	73,000	-	124,500
Deferred compensation - restricted	60,665	32,144	7,988	100,797
Total noncurrent assets	<u>1,654,244</u>	<u>650,490</u>	<u>169,379</u>	<u>2,474,113</u>
Capital assets - net of depreciation	<u>1,331,201</u>	<u>1,539,647</u>	<u>-</u>	<u>2,870,848</u>
Total assets	<u>\$ 3,258,964</u>	<u>\$ 2,279,489</u>	<u>\$ 222,651</u>	<u>\$ 5,761,104</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable - trade	\$ 64,495	\$ 23,032	\$ 4,170	\$ 91,697
Current portion of long-term debt	50,000	48,472	-	98,472
Accrued interest	1,749	13,975	-	15,724
Accrued expenses	2,404	1,184	4,070	7,658
Customer deposits	14,900	-	-	14,900
Total current liabilities	<u>133,548</u>	<u>86,663</u>	<u>8,240</u>	<u>228,451</u>
Long-term liabilities:				
Deferred compensation	60,665	32,144	7,988	100,797
Note and bonds payable	280,000	1,375,699	-	1,655,699
Total long-term liabilities	<u>340,665</u>	<u>1,407,843</u>	<u>7,988</u>	<u>1,756,496</u>
Net assets:				
Investment in capital assets - net of related debt	1,001,201	115,476	-	1,116,677
Net assets - restricted	103,865	146,000	-	249,865
Net assets - unrestricted	1,679,685	523,507	206,423	2,409,615
Total net assets	<u>2,784,751</u>	<u>784,983</u>	<u>206,423</u>	<u>3,776,157</u>
Total liabilities and net assets	<u>\$ 3,258,964</u>	<u>\$ 2,279,489</u>	<u>\$ 222,651</u>	<u>\$ 5,761,104</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			Combined Memorandum Only
	Electric	Water	Cable	
Operating revenues:				
Current use charges	\$ 1,208,623	\$ 635,645	\$ 142,954	\$ 1,987,222
Miscellaneous and rentals	90,526	11,872	13,570	115,968
Total operating revenues	<u>1,299,149</u>	<u>647,517</u>	<u>156,524</u>	<u>2,103,190</u>
Operating expenses:				
Administrative	136,466	53,980	20,430	210,876
Sales and use taxes	22,816	18,018	9,305	50,139
Payroll and payroll taxes	289,446	138,095	41,594	469,135
Office expense	18,172	12,702	3,333	34,207
Repairs and maintenance	11,307	7,110	4,379	22,796
Plant expense	677,710	311,565	99,565	1,088,840
Distribution expense	28,264	16,760	4,321	49,345
Bad debts	3,224	1,372	771	5,367
Depreciation	117,662	90,773	18,928	227,363
Total operating expenses	<u>1,305,067</u>	<u>650,375</u>	<u>202,626</u>	<u>2,158,068</u>
Operating loss	<u>(5,918)</u>	<u>(2,858)</u>	<u>(46,102)</u>	<u>(54,878)</u>
Non-operating revenues/(expenses):				
Interest income	37,818	10,241	12,294	60,353
Interest expense	<u>(11,257)</u>	<u>(34,979)</u>	<u>(30,416)</u>	<u>(76,652)</u>
Total non-operating revenues/(expenses)	<u>26,561</u>	<u>(24,738)</u>	<u>(18,122)</u>	<u>(16,299)</u>
Changes in net assets before transfers	20,643	(27,596)	(64,224)	(71,177)
Transfers from City	<u>563</u>	<u>1,033</u>	<u>225</u>	<u>1,821</u>
Changes in net assets	21,206	(26,563)	(63,999)	(69,356)
Net assets, beginning of year	<u>2,784,751</u>	<u>784,983</u>	<u>206,423</u>	<u>3,776,157</u>
Net assets, end of year	<u>\$ 2,805,957</u>	<u>\$ 758,420</u>	<u>\$ 142,424</u>	<u>\$ 3,706,801</u>

The accompanying notes are an integral part of the financial statements.



LENOX MUNICIPAL UTILITIES  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2007			Combined Memorandum Only
	Electric	Water	Cable	
Operating revenues:				
Current use charges	\$ 1,138,629	\$ 591,911	\$ 158,534	\$ 1,889,074
Miscellaneous and rentals	49,125	17,395	-	66,520
Total operating revenues	<u>1,187,754</u>	<u>609,306</u>	<u>158,534</u>	<u>1,955,594</u>
Operating expenses:				
Administrative	111,184	41,040	12,263	164,487
Sales and use taxes	26,093	18,389	8,270	52,752
Payroll and payroll taxes	194,959	103,302	25,672	323,933
Office expense	10,912	5,685	2,537	19,134
Repairs and maintenance	9,094	7,241	601	16,936
Plant expense	617,104	288,613	116,381	1,022,098
Distribution expense	31,268	35,319	11,741	78,328
Bad debts	2,696	460	460	3,616
Depreciation	111,815	74,997	-	186,812
Total operating expenses	<u>1,115,125</u>	<u>575,046</u>	<u>177,925</u>	<u>1,868,096</u>
Operating income (loss)	<u>72,629</u>	<u>34,260</u>	<u>(19,391)</u>	<u>87,498</u>
Non-operating revenues/(expenses):				
Interest income	70,516	25,251	6,430	102,197
Interest expense	<u>(12,424)</u>	<u>(47,463)</u>	<u>-</u>	<u>(59,887)</u>
Total non-operating revenues/(expenses)	<u>58,092</u>	<u>(22,212)</u>	<u>6,430</u>	<u>42,310</u>
Changes in net assets before transfers	130,721	12,048	(12,961)	129,808
Transfers from City	<u>884</u>	<u>1,119</u>	<u>230</u>	<u>2,233</u>
Changes in net assets	131,605	13,167	(12,731)	132,041
Net assets, beginning of year	<u>2,653,146</u>	<u>771,816</u>	<u>219,154</u>	<u>3,644,116</u>
Net assets, end of year	<u>\$ 2,784,751</u>	<u>\$ 784,983</u>	<u>\$ 206,423</u>	<u>\$ 3,776,157</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			Combined Memorandum Only
	Electric	Water	Cable	
Cash flows from operating activities:				
Cash received from customers	\$ 1,284,124	\$ 642,868	\$ 152,581	\$ 2,079,573
Cash payments to suppliers	(555,739)	(416,887)	(136,123)	(1,108,749)
Cash payments for employees, payroll taxes and benefits	(289,446)	(138,095)	(41,594)	(469,135)
Net cash provided (used) by operating activities	438,939	87,886	(25,136)	501,689
Cash flows from noncapital financing activities:				
Transfers from City	563	1,033	225	1,821
Net cash provided from noncapital financing activities	563	1,033	225	1,821
Cash flows from capital and financing activities:				
Proceeds from note payable	-	-	1,335,000	1,335,000
Payment on principal	(50,000)	(417,171)	-	(467,171)
Interest paid	(11,257)	(46,388)	-	(57,645)
Purchase of fixed assets	(789,820)	-	(1,099,834)	(1,889,654)
Net cash provided (used) for capital and financing activities	(851,077)	(463,559)	235,166	(1,079,470)
Cash flows from investing activities:				
Purchase of investments	(574,610)	(139,336)	(1,328,716)	(2,042,662)
Proceeds from investments	965,772	477,408	1,105,431	2,548,611
Interest on investments	37,818	10,241	12,294	60,353
Net cash provided (used) by investing activities	428,980	348,313	(210,991)	566,302
Net increase (decrease) in cash	17,405	(26,327)	(736)	(9,658)
Cash - beginning of year	71,229	42,847	35,639	149,715
Cash - end of year	\$ 88,634	\$ 16,520	\$ 34,903	\$ 140,057

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2007			Combined Memorandum Only
	Electric	Water	Cable	
Cash flows from operating activities:				
Cash received from customers	\$ 1,189,026	\$ 615,157	\$ 155,108	\$ 1,959,291
Cash payments to suppliers	(828,351)	(397,445)	(150,650)	(1,376,446)
Cash payments for employees, payroll taxes and benefits	(201,916)	(106,473)	(22,686)	(331,075)
Net cash provided (used) by operating activities	158,759	111,239	(18,228)	251,770
Cash flows from noncapital financing activities:				
Transfers from City	884	1,119	230	2,233
Net cash provided from noncapital financing activities	884	1,119	230	2,233
Cash flows from capital and financing activities:				
Proceeds from revenue bonds	-	474,613	-	474,613
Payment on principal	(50,000)	(7,786)	-	(57,786)
Interest paid	(12,908)	(48,041)	-	(60,949)
Purchase of fixed assets	-	(487,251)	-	(487,251)
Net cash used for capital and financing activities	(62,908)	(68,465)	-	(131,373)
Cash flows from investing activities:				
Purchase of investments	(668,370)	(376,430)	(13,501)	(1,058,301)
Proceeds from investments	511,094	222,187	-	733,281
Interest on investments	71,516	25,571	6,430	103,517
Net cash used by investing activities	(85,760)	(128,672)	(7,071)	(221,503)
Net increase (decrease) in cash	10,975	(84,779)	(25,069)	(98,873)
Cash - beginning of year	60,254	127,626	60,708	248,588
Cash - end of year	\$ 71,229	\$ 42,847	\$ 35,639	\$ 149,715

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF CASH FLOWS-CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

	2008			Combined Memorandum Only
	Electric	Water	Cable	
Reconciliation of operating loss to net cash provided by operating activities				
Operating loss	\$ (5,918)	\$ (2,858)	\$ (46,102)	\$ (54,878)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	117,662	90,773	18,928	227,363
Changes in assets and liabilities:				
Receivables	(15,025)	(4,649)	(3,943)	(23,617)
Prepaid expenses	3,841	(290)	1,142	4,693
Inventories	(9,420)	-	-	(9,420)
Accounts payable	348,135	3,871	7,210	359,216
Accrued expenses	(1,982)	1,039	(2,371)	(3,314)
Customer deposits	1,646	-	-	1,646
Net cash provided (used) by operating activities	<u>\$ 438,939</u>	<u>\$ 87,886</u>	<u>\$ (25,136)</u>	<u>\$ 501,689</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF CASH FLOWS-CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

	2007			Combined Memorandum Only
	Electric	Water	Cable	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 72,629	\$ 34,260	\$ (19,391)	\$ 87,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	111,815	74,997	-	186,812
Changes in assets and liabilities:				
Receivables	3,172	5,851	(3,426)	5,597
Prepaid expenses	(551)	(590)	(2,567)	(3,708)
Inventories	(21,859)	-	-	(21,859)
Accounts payable	2,410	(108)	4,170	6,472
Accrued expenses	(6,957)	(3,171)	2,986	(7,142)
Customer deposits	(1,900)	-	-	(1,900)
Net cash provided (used) by operating activities	<u>\$ 158,759</u>	<u>\$ 111,239</u>	<u>\$ (18,228)</u>	<u>\$ 251,770</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ELECTRIC FUND

	2008 Original & Final Budgeted	2008 Actual	2007 Actual
Revenues	\$ 1,294,734	\$ 1,285,770	\$ 1,189,026
Expenses	1,469,360	964,493	1,154,990
Excess revenues over/(under) expenses from operations	(174,626)	321,277	34,036
Other revenues	50,000	27,124	72,400
Excess revenues over/(under) expenses	<u>\$ (124,626)</u>	<u>\$ 348,401</u>	<u>\$ 106,436</u>

WATER FUND

Revenues	\$ 662,700	\$ 642,868	\$ 615,157
Expenses	669,161	645,755	626,378
Excess revenues under expenses from operations	(6,461)	(2,887)	(11,221)
Other revenues	10,000	(23,705)	26,370
Excess revenues over/(under) expenses	<u>\$ 3,539</u>	<u>\$ (26,592)</u>	<u>\$ 15,149</u>

CABLE FUND

Revenues	\$ 154,700	\$ 152,581	\$ 155,108
Expenses	3,026,300	198,929	173,336
Excess revenues under expenses from operations	(2,871,600)	(46,348)	(18,228)
Other revenues	3,003,000	(17,897)	6,660
Excess revenues over/(under) expenses	<u>\$ 131,400</u>	<u>\$ (64,245)</u>	<u>\$ (11,568)</u>

COMBINED - (MEMORANDUM ONLY)

Revenues	\$ 2,112,134	\$ 2,081,219	\$ 1,959,291
Expenses	5,164,821	1,809,177	1,954,704
Excess revenues over/(under) expenses from operations	(3,052,687)	272,042	4,587
Other revenues	3,063,000	(14,478)	105,430
Excess revenues over expenses	<u>\$ 10,313</u>	<u>\$ 257,564</u>	<u>\$ 110,017</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
STATEMENTS OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ELECTRIC FUND

	2007 Original & Final Budgeted	2007 Actual	2006 Actual
Revenues	\$ 1,293,155	\$ 1,189,026	\$ 1,085,672
Expenses	1,539,733	1,154,990	1,077,280
Excess revenues over/(under) expenses from operations	(246,578)	34,036	8,392
Other revenues	527,118	72,400	68,257
Excess revenues over expenses	<u>\$ 280,540</u>	<u>\$ 106,436</u>	<u>\$ 76,649</u>

WATER FUND

Revenues	\$ 663,375	\$ 615,157	\$ 604,949
Expenses	789,867	626,378	601,046
Excess revenues over/(under) expenses from operations	(126,492)	(11,221)	3,903
Other revenues	270,406	26,370	20,440
Excess revenues over expenses	<u>\$ 143,914</u>	<u>\$ 15,149</u>	<u>\$ 24,343</u>

CABLE FUND

Revenues	\$ 190,100	\$ 155,108	\$ -
Expenses	173,900	173,336	-
Excess revenues over/(under) expenses from operations	16,200	(18,228)	-
Other revenues	1,400	6,660	-
Excess revenues over/(under) expenses	<u>\$ 17,600</u>	<u>\$ (11,568)</u>	<u>\$ -</u>

COMBINED - (MEMORANDUM ONLY)

Revenues	\$ 2,146,630	\$ 1,959,291	\$ 1,690,621
Expenses	2,503,500	1,954,704	1,678,326
Excess revenues over/(under) expenses from operations	(356,870)	4,587	12,295
Other revenues	798,924	105,430	88,697
Excess revenues over expenses	<u>\$ 442,054</u>	<u>\$ 110,017</u>	<u>\$ 100,992</u>

The accompanying notes are an integral part of the financial statements.

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

The Reporting Entity:

Lenox Municipal Utilities has been identified as a component unit of the City of Lenox, Lenox, Iowa. The Utilities, for financial statement purposes, include all of the funds and account groups relevant to the operation of the electric, water and communication services. Lenox Municipal Utilities provides billing and collection services for the City of Lenox, however those amounts have been eliminated for financial statement purposes. These financial statements do not reflect any activity or transactions of the City of Lenox and do not present consolidated information.

Basis of Accounting and Presentation:

Lenox Municipal Utilities is governed by a Board of Trustees that are appointed by the Mayor of Lenox, Iowa. The Utilities provide electricity, water and communication services to the City of Lenox and the surrounding community. The Utilities operate as enterprise funds which utilize the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred.

Operating revenues generally result from providing services and delivering those services in connection with ongoing operations of supplying electric, water and communication services. Receipts and disbursements not meeting this definition are reported as non-operating revenues.

Lenox Municipal Utilities apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Fund Accounting:

The electric, water and communication funds are operated similar to business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges. Those costs include depreciation of capital assets and interest expense.

Cash and Cash Equivalents:

For the purpose of the presentation of the statement of cash flows, the electric, water and communication funds do not treat investments, restricted or unrestricted as cash or cash equivalents.



LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

1. Summary of Significant Accounting Policies – continued:

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts:

At December 31, 2008 and 2007, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

Reclassifications:

Certain amounts or presentations in the December 31, 2007 statements may have been reclassified to conform to the December 31, 2008 presentation. Changes in net assets remained unchanged as a result of any reclassifications.

2. Inventories

Inventories consist mainly of electrical materials and supplies and are valued at lower of cost or market value (first-in, first-out).

3. Deposits and Investments

The Utilities are authorized to invest in interest bearing savings accounts, interest bearing money market accounts, interest bearing checking accounts, obligations of the United States government or its agencies and instrumentalities, certificates of deposit and other evidence of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 453; Iowa Public Agency Investment Trust and certain other investments with prior approval by the board of trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits are entirely covered by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Accordingly, Lenox Municipal Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

4. Property and equipment

Depreciation is provided using the straight-line method over the estimated economic useful lives of the respective assets.

	2008			
	Balance 1/1/08	Additions	Retirements & Disposals	Balance 12/31/08
<u>Electric Fund</u>				
Buildings and plants	\$ 1,846,983	\$ 59,788	\$ -	\$ 1,906,771
Distribution system	842,952	730,032	-	1,572,984
Sub-station	98,653	-	-	98,653
Transmission lines	425,994	-	-	425,994
Total	3,214,582	789,820	-	4,004,402
Less: accumulated depreciation	(1,883,381)	(117,662)	-	(2,001,043)
Property and equipment - net	<u>\$ 1,331,201</u>	<u>\$ (672,158)</u>	<u>\$ -</u>	<u>\$ 2,003,359</u>
<u>Water Fund</u>				
Land	\$ 32,000	\$ -	\$ -	\$ 32,000
Buildings and plants	886,062	-	-	886,062
Distribution systems	1,724,397	-	-	1,724,397
Automotive equipment	58,936	-	-	58,936
Total	2,701,395	-	-	2,701,395
Less: accumulated depreciation	(1,161,748)	(90,773)	-	(1,252,521)
Property and equipment - net	<u>\$ 1,539,647</u>	<u>\$ (90,773)</u>	<u>\$ -</u>	<u>\$ 1,448,874</u>
<u>Communication Fund</u>				
Video	\$ -	\$ 711,422	\$ -	\$ 711,422
Data	-	227,505	-	227,505
Cable	-	44,921	-	44,921
Consulting	-	115,985	-	115,985
Total	-	1,099,833	-	1,099,833
Less: accumulated depreciation	-	(18,927)	-	(18,927)
Property and equipment - net	<u>\$ -</u>	<u>\$ 1,080,906</u>	<u>\$ -</u>	<u>\$ 1,080,906</u>

	2007			
	Balance 1/1/07	Additions	Retirements & Disposals	Balance 12/31/07
<u>Electric Fund</u>				
Buildings and plants	\$ 1,846,983	\$ -	\$ -	\$ 1,846,983
Buildings and plants	842,952	-	-	842,952
Distribution systems	98,653	-	-	98,653
Automotive equipment	425,994	-	-	425,994
Total	3,214,582	-	-	3,214,582
Less: accumulated depreciation	(1,771,566)	(111,815)	-	(1,883,381)
Property and equipment - net	<u>\$ 1,443,016</u>	<u>\$ (111,815)</u>	<u>\$ -</u>	<u>\$ 1,331,201</u>

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

4. Property and equipment - continued

<u>Water Fund</u>	<u>Balance</u> <u>1/1/07</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Disposals</u>	<u>Balance</u> <u>12/31/07</u>
Land	\$ 32,000	\$ -	\$ -	\$ 32,000
Buildings and plants	886,062	-	-	886,062
Distribution systems	1,237,146	487,251	-	1,724,397
Automotive equipment	58,936	-	-	58,936
Total	2,214,144	487,251	-	2,701,395
Less: accumulated depreciation	(1,086,751)	(74,997)	-	(1,161,748)
Property and equipment - net	<u>\$ 1,127,393</u>	<u>\$ 412,254</u>	<u>\$ -</u>	<u>\$ 1,539,647</u>

5. Pension and Retirement Benefits

Lenox Municipal Utilities contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute a percentage of their annual covered salary and Lenox Municipal Utilities is required to contribute a percentage of annual covered payroll expenditures. Contribution requirements and percentages are established by State statute. Lenox Municipal Utilities contribution to IPERS for the years ended December 31, 2008 and 2007 were \$37,819 and \$26,816, respectively, equal to the required contributions for each year.

6. Deferred Compensation

Lenox Municipal Utilities offer all full-time employees the option of participating in the ICMA Retirement Corporation's Deferred Compensation Plan. Under the plan, an employee may elect to have up to a maximum of 25% of compensation or \$15,000 a year, whichever is smaller, withheld and invested with ICMA. The salary of the employee that is deferred is not taxable for federal income tax purposes to the employee until retirement, but is taxable for social security and state income taxes and is included in determining IPERS contributions (see Note 5). The employer retains ownership of the fund until paid or made available to participants, subject only to the claims of the government's general creditors. A written contract exists with each plan participant and the Utilities responsibility is limited to the payment of the deferred compensation to the plan. For the years ended December 31, 2008 and 2007, employee contributions amounted to \$5,645 and \$5,195, respectively. The unfunded balance at December 31, 2008 and 2007 amounted to \$340 and \$220, respectively.

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

7. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Utilities annually adopt a budget on the "cash basis" following required public notice and hearing. Accordingly, budget to actual comparisons are presented on a non-GAAP budgetary basis in the accompanying financial statements. The adjustments necessary to reconcile the differences between the two methods of accounting are summarized as follows:

	<u>2008</u>			<u>Combined Memorandum Only</u>
Changes in Net Assets	<u>Electric</u>	<u>Water</u>	<u>Cable</u>	
- budgetary (cash basis)	\$ 348,401	\$ (26,592)	\$ (64,245)	\$ 257,564
Increase (decrease) in:				
Receivables	15,025	4,649	3,943	23,617
Prepaid expenses	(3,841)	290	1,142	(2,409)
Inventories	9,420	-	-	9,420
(Increase)/decrease in:				
Accounts payable	(348,135)	(3,871)	(7,210)	(359,216)
Accrued expenses	1,982	(1,039)	2,371	3,314
Other current liabilities	(1,646)	-	-	(1,646)
Changes in Net Assets				
- accrual (GAAP basis)	<u>\$ 21,206</u>	<u>\$ (26,563)</u>	<u>\$ (63,999)</u>	<u>\$ (69,356)</u>

  

	<u>2007</u>			<u>Combined Memorandum Only</u>
Changes in Net Assets	<u>Electric</u>	<u>Water</u>	<u>Cable</u>	
- budgetary (cash basis)	\$ 106,436	\$ 15,149	\$ (11,568)	\$ 110,017
Increase (decrease) in:				
Receivables	(3,172)	(5,851)	3,426	(5,597)
Accrued interest receivable	(1,000)	-	-	(1,000)
Prepaid expenses	551	590	2,567	3,708
Inventories	21,859	-	-	21,859
(Increase)/decrease in:				
Accounts payable	(2,410)	108	(4,170)	(6,472)
Accrued interest payable	484	-	-	484
Accrued expenses	6,957	3,171	(2,986)	7,142
Other current liabilities	1,900	-	-	1,900
Changes in Net Assets				
- accrual (GAAP basis)	<u>\$ 131,605</u>	<u>\$ 13,167</u>	<u>\$ (12,731)</u>	<u>\$ 132,041</u>

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

8. Electric Revenue Notes

In 2003, Lenox Municipal Utilities was the sub-recipient of a community development block grant issued to the City of Lenox, Iowa by the Iowa Department of Economic Development. The City of Lenox received CDGB funds in the amount of \$400,000. The City of Lenox entered into a construction and operation agreement and designated the Lenox Municipal Utilities a sub-recipient of the grant money to construct and operate a wind turbine for the benefit of the Lenox community. In conjunction with the construction of the wind turbine, Lenox Municipal Utilities was required to provide all funds in excess of the \$400,000 grant. Electric revenue notes were issued in the amount of \$515,000, to replace construction reserves for extension lines which were used in the construction of the wind turbine. The electric revenue notes dated May 1, 2003 were issued in \$5,000 denominations or multiples thereof, and mature on May 1 of each year. Interest on the notes are payable semi-annually on May 1 and November 1 of each year the notes are outstanding. Interest paid in 2008 and 2007 on the electric revenue notes amounted to \$11,258 and \$12,908, respectively.

Changes in long-term electric revenue notes are as follows:

		2008			
		Balance 1/1/08	Principal Additions	Principal Repayments	Balance 12/31/08
Electric revenue notes		\$ 330,000	\$ -	\$ 50,000	\$ 280,000
		<u>\$ 330,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 280,000</u>
		2007			
		Balance 1/1/07	Principal Additions	Principal Repayments	Balance 12/31/07
Electric revenue notes		\$ 380,000	\$ -	\$ 50,000	\$ 330,000
		<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 330,000</u>

Principal and interest payments on the electric revenue notes mature as follows:

	Principal	Interest
2009	\$ 50,000	\$ 9,670
2010	55,000	7,869
2011	55,000	5,861
2012	60,000	3,645
2013	<u>60,000</u>	<u>1,230</u>
	<u>\$ 280,000</u>	<u>\$ 28,275</u>

The operating agreement provides that the City of Lenox shall repay Lenox Municipal Utilities for the contributions made by Lenox Municipal Utilities to purchase the wind turbine. The City also agreed to reimburse the Utility for amounts which will be adequate for the operation, maintenance, insurance, and long-term equipment repair and replacement cost of the wind turbine generator. The operating agreement is in effect for a period of 20 years from the effective date of the agreement. The agreement provides that at the time of termination of the agreement, the City of Lenox will assign all accompanying responsibilities for the wind turbine generator to Lenox Municipal Utilities.

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

8. Electric Revenue Notes - continued

Note payments, sinking funds and related reserves are payable solely from the net revenues of the electric system. The notes are callable May 1, 2010.

Funds are restricted in conjunction with the issuance of electric revenue notes to assist with the construction and operation of a wind turbine. The electric reserve fund is funded by the gross revenues of the electric system and shall be used to maintain and operate the electric system, and after payment of the operating expenses shall, to the extent herein provided, be used to pay the principal and interest on the electric revenue notes and to create and maintain the electric revenue sinking fund. At December 31, 2008 and 2007, funds accumulated amounted to \$60,000 and \$51,500, respectively.

Electric revenue sinking fund payments are required on a monthly basis to be used solely for payment of principal and interest on the electric revenue notes. Note sinking payments are to be funded at no less than one-twelfth of the installment maturing each May 1. At December 31, 2008 and 2007, electric revenue sinking funds amounted to \$60,000 and \$52,365, respectively.

9. Water Revenue Bond, Series 2006

On October 6, 2006, Lenox Municipal Utilities issued water revenue bonds in the amount of \$1,150,000 with interest at the rate of 3 percent for the constructing of improvements and extensions to the water distribution system. Interest on the bonds is payable semi-annually on June 1 and December 1 of each year the notes are outstanding. Principal payments on the bonds commence on June 1, 2008 and are due annually thereafter until paid in full. Interest paid in 2008 and 2007 on the 2006 water revenue bond amounted to \$30,852 and \$25,312, respectively.

Changes in long-term debt for the 2006 water revenue bonds are as follows:

2008			
	Balance 1/1/08	Principal Additions	Principal Repayments
2006 water revenue bonds	\$ 1,050,000	\$ -	\$ 43,000
	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 43,000</u>
			Balance 12/31/08
			\$ 1,007,000
			<u>\$ 1,007,000</u>

  

2007			
	Balance 1/1/07	Principal Additions	Principal Repayments
2006 water revenue bonds	\$ 586,887	\$ 463,113	\$ -
	<u>\$ 586,887</u>	<u>\$ 463,113</u>	<u>\$ -</u>
			Balance 12/31/07
			\$ 1,050,000
			<u>\$ 1,050,000</u>

Maturities of the Series 2006 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 37,000	\$ 29,655
2010	41,000	28,485
2011	43,000	27,225
2012	44,000	25,920
2013	45,000	24,585
2014 - 2018	247,000	101,415
2019 - 2023	287,000	61,485
2024 - 2027	<u>263,000</u>	<u>16,035</u>
	<u>\$ 1,007,000</u>	<u>\$ 314,805</u>

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

9. Water Revenue Bond, Series 2006 - continued

Funds are restricted in conjunction with the 2006 Water Revenue Bond. The bond reserve fund was funded in the amount of \$73,000. The reserve fund is to be transferred to the sinking fund whenever necessary to prevent or remedy a default in the payment of the principal and interest on the 2006 Water Revenue Bond.

Bond sinking fund payments are required to be used solely for payment of principal and interest on the 2006 Water Revenue Bond. Bond sinking payments are to be funded at no less than one-twelfth of the installment maturing June 1 of each year. At December 31, 2008 and 2007, sinking funds amounted to \$73,000.

10. Long-term Debt – Communication Fund

Lenox Municipal Utilities entered into a note payable on May 8, 2008 in the amount of \$1,335,000 for the purposes of paying the costs of constructing a Municipal Communications System. Interest is payable on May 1 and November 1 of each year until paid. The note bears interest at the rate of 3.50%. Debt service payments are payable solely from the net revenues of the communication system. The note matures May 1, 2011, and no principal is due on the note until May 1, 2011.

Changes in the long-term note payable are as follows:

	2008			
	Balance 1/1/08	Principal Additions	Principal Repayments	Balance 12/31/08
Note payable – Ruan Securities Corporation – Series 2008	\$ -	\$ 1,335,000	\$ -	\$ 1,335,000
	\$ -	\$ 1,335,000	\$ -	\$ 1,335,000

  

Maturities of long-term debt are as follows:	Principal	Interest
2009	\$ -	\$ 69,179
2010	-	46,725
2011	1,335,000	23,362
	<u>\$ 1,335,000</u>	<u>\$ 139,266</u>

11. Net Assets

Net assets generally consist of the following three categories:

Net assets invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net assets – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net assets - are those assets not meeting the definition of the two preceding categories. Reservations of unrestricted net assets may be imposed by the management of the Utility, however reservations do not restrict net assets in any manner.

LENOX MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2008

12. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

13. Off Balance Sheet and Concentration of Credit Risk

Accounts receivables are due for electric, water and communication charges to customers of Lenox, Iowa and the surrounding community. None of the receivables are collateralized. To date, these concentrations of credit risk have not had an adverse effect on the results of operations of the Utilities.

14. Commitments and Contingencies

In conjunction with the construction of the Municipal Communications System, the Utilities entered into construction contracts totaling \$1,830,864. As of December 31, 2008, expenses paid or accrued in the financial statements amounted to \$1,613,399. The remaining balances committed on the contracts amounted to \$217,465 at December 31, 2008.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**  
**BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Lenox Municipal Utilities  
Lenox, Iowa

I have audited the financial statements of Lenox Municipal Utilities, a component unit of the City of Lenox, Iowa, as of and for the year ended December 31, 2008, and have issued my report thereon dated January 23, 2009. My report expressed an unqualified opinion on the financial statements, which were prepared by me in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Lenox Municipal Utility's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lenox Municipal Utility's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Lenox Municipal Utility's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lenox Municipal Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lenox Municipal Utility's financial statements that is more than inconsequential will not be prevented or detected by Lenox Municipal Utility's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lenox Municipal Utility's internal control.

Internal Control Over Financial Reporting - continued

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the lack of segregation of duties is, and will remain, a material weakness. Therefore, I do not consider prior year reportable conditions as having been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenox Municipal Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Lenox Municipal Utilities operations for the year ended December 31, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of Lenox Municipal Utilities. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lenox Municipal Utility's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on Lenox Municipal Utility's responses, I did not audit the Lenox Municipal Utility's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management and employees, and other parties to which the Lenox Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.



Certified Public Accountant

Omaha, Nebraska  
January 23, 2009

LENOX MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Findings Related to the Financial Statements:

Reportable conditions:

- A. Segregation of duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee can act as a check on those of another. Essentially one individual currently has total access and control of the accounting functions, including customer billings, receipts, disbursements, as well as the related reconciliations for the various accounting and reporting functions.

Recommendation - While segregation of duties is difficult with a limited number of office employees, management should continue to regularly review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel and Utility officials.

Response - Based on monthly reviews of internally prepared financial statements, approval of all payments prior to signatures and overall supervision by the superintendent and the Board, there appear to be sufficient compensating controls. A full time employee has been hired to assist in the billing and collection cycles.

Conclusion - Response accepted.

- B. Facsimile signature stamps - Facsimile signature stamps are used to facilitate payment of vouchers. Without proper controls or retention of the stamps internal control, unauthorized use of the stamps on disbursements or other documents could occur.

Recommendation - Eliminate the stamps or provide adequate controls against their unauthorized use.

Response - The stamps are retained by office personnel, locked in the Utilities safe, and are only used by the respective board member for check signing purposes. All other documents are signed manually. Also, all vouchers are approved prior to payment by the Board of Trustees and bank reconciliations are prepared monthly.

Conclusion - Response accepted.

Instances on non-compliance:

No matters were noted.

LENOX MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2008

Other Findings Related to Required Statutory Reporting:

1. Certified budget – Budgeted expenditures for the year ended December 31, 2008 exceeded actual disbursements as required under Chapter 384.20 of the Code of Iowa.
2. Questionable disbursements – No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel expenses - No disbursements of the Lenox Municipal Utilities money for travel expenses of spouses of Utility officials or employees were noted.
4. Business transactions - All business transactions noted between the Utilities and Utility officials appeared to be in the normal course of business and appeared to be at arm's length.
5. Bond coverage - Surety bond coverage of the Utilities officials and employees is in accordance with statutory provisions. The amount of the coverage should continue to be reviewed annually, or more often if needed, to ensure that the coverage is adequate for current operations.
6. Board minutes – No transactions were note that were required to have been approved in the minutes but were not.
7. Deposits and investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities' investment policies were noted.
8. Revenue notes, bonds and long-term debt – No violations of the revenue notes, bonds or long-term debt were noted.
9. Telecommunication services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.